



A Midyear Financial To-Do List for Retirees – "article excerpt"

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A Midyear Financial To-Do List for Retirees

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*It's not too early to plan charitable contributions
and Required Minimum Distributions (RMDs).*

Summertime seems to play tricks with our sense of time.

Even as the days are longer and the pace of day-to-day life seems more languorous, those precious summer days and weeks fly by at lightning speed. It's already late-July, and the rows of patio furniture and garden hoses in my local Target have been replaced by aisles of backpacks, notebooks, and lunch boxes. It's not ridiculous to start making plans for Labor Day weekend, or, for that matter, to line up priorities and travel plans for the fall.



Because calendars often become more cluttered between September and year-end, midsummer is a good time to take a closer look at your financial life. Are there any tweaks or adjustments you can make now to improve your portfolio or reduce your tax bill for the 2019 tax year? While the deadline for the tax-related jobs is Dec. 31, there's no reason you need to wait until the very last minute to plan or even execute them. If you're retired, here are some of the key financial jobs to tackle.

1: Make a preliminary assessment of whether you'll itemize or take the standard deduction.

Among the tax-law changes that were enacted in late 2017, one of the most significant for individual taxpayers was the increase in the standard deduction. For 2019, it's \$12,200 for

single filers and double that for married couples filing jointly. That means that your itemized deductions would need to exceed those thresholds for you to be better off itemizing.

2: Develop your RMD strategy.

If you're age 70-1/2 or older, you know the drill: You have to take required minimum distributions from your tax-deferred accounts, whether traditional IRAs, 401(k)s, or others, by year-end, and you'll owe taxes on those withdrawals. (Roth IRAs aren't subject to these RMDs or taxes on qualified distributions, which is a key attraction to this account type.) But even as you have until year-end to take your RMDs, the amount of your distribution is already set: It's based on the value of your tax-deferred accounts at the end of 2018. Meanwhile, the benefits of waiting until the last minute to take your RMDs are pretty modest--just a few months of additional tax-deferred compounding on the assets that are subject to RMDs. In other words, there's not a super-compelling reason to delay RMD-taking; at a minimum, it's a good time to begin strategizing about where you'll go for them.

3. Formulate your approach to charitable giving.



Like strategizing about RMDs, many people don't get serious about charitable giving until late in the year, even though they don't necessarily have to wait that long. For one thing, the new tax laws and the fact that many fewer taxpayers will be itemizing their deductions on their tax returns each year accentuate the benefits of developing a multiyear charitable-giving strategy rather than year by year. Instead of making smaller contributions every year, for example, you may be better off "bunching" them into a single year so that your itemized deductions exceed your standard deduction. And remember, you can combine your charitable deductions with other allowable itemized deductions--such as medical expenses in excess of 10% of adjusted gross income--to help boost your itemized amount.

Of course, you have to be a pretty large charitable giver--or have high deductible expenses elsewhere--to exceed the 2019 standard deduction amounts of \$12,200 for singles and \$24,400 for married couples filing jointly. But if you're over age 70-1/2 and have IRA accounts that are subject to RMDs, you have another arrow in your quiver: the [qualified charitable distribution](#), or QCD. The great thing about the QCD is that you don't need to be an itemizer to take advantage of it. Working with your investment provider, you can direct up to \$100,000 of your RMD to the charity or charities of your choice. Those QCD amounts, in contrast with RMD amounts that you might take and spend, aren't taxed, so your adjusted gross income will be lower. Just remember that you can't take your RMD and [later designate it as a QCD](#).

As with RMDs, charitable giving provides an opportunity to derisk and improve your portfolio even as you achieve other goals. If your portfolio is heavily tilted toward a given market segment or has problem children, such as expensive funds that trail their indexes or heavily overweight individual stocks, you can use charitable gifts to address the trouble spots. You can lighten up the position, make a charitable gift, and potentially earn a tax break as well.

4: Check up on your portfolio's risk levels and make sure you have an adequate cash reserve.

Even if you don't have RMDs or charitable giving to serve as the impetus, the market

action in the first half was extreme enough (in a good way) to warrant a closer look at midyear. That's especially true for retirees.

For one thing, if you've just embarked on retirement, having a too-risky portfolio makes you vulnerable to [sequencing risk](#). If a market downturn occurs early in your retirement, drawing from a portfolio that's simultaneously declining leaves less in place to recover when stocks eventually do. Trimming high appreciated equity holdings is a sensible way to derisk *and* set aside cash for an adequate cash reserve.

To read the full article, please click [here](#).

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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